

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

TALLGRASS COMMUNICATIONS, INC.

Application of TallGrass Communications, Inc. for
a certificate of local and interexchange authority to
operate as a reseller and facilities based carrier of
telecommunications services throughout
the State of Illinois.

Docket No. _____

TESTIMONY OF PETER LYNCH
ON BEHALF OF
TALLGRASS COMMUNICATIONS, INC.

March 20, 2000

OFFICIAL FILE

I.C.C. DOCKET NO. 00-0236

App Exhibit No. Group A

Witness _____

Date 6/1/00 Reporter J

Q. Please state your name, business address, telephone number, facsimile number and email address.

A. My name is Peter Lynch. My business address is TallGrass Communications, Inc. ("TallGrass"), 70 East Lake Street, 7th Floor, Chicago, Illinois 60601. My telephone number is (312) 236-0575, my facsimile number is (312) 236-0381 and my email address is mailto: pslynch@earthlink.net.

Q. What is your position with TallGrass?

A. I am President and Chief Executive Office of TallGrass.

Q. Describe your responsibilities at TallGrass.

A. My responsibilities include overseeing TallGrass' strategic direction, policy and operations as well as hiring the company's key officers. Further, I represent TallGrass before regulatory agencies. I am also a member of TallGrass' Board of Directors.

Q. Describe your previous professional experience.

A. I have over 15 years experience in the telecommunications industry. Prior to joining TallGrass, I was Senior Vice President of Operations and Marketing for People's Choice TV Corporation (PCTV). In that capacity I oversaw the company's RF and network engineering, customer service, field operations, marketing and sales activity. I also directed an organization of 230 people and an expense budget of \$36 Million, in 1999. I directed the establishment of a fixed wireless, broadband ISP business unit within PCTV.

From 1991 to 1995, I was employed by a British CLEC and CATV operations, NYNEX CableComms PLC. I held positions as Executive Director of Marketing and Operations and Executive Director of Marketing. As Executive Director of Marketing and Operations, I directed the field operations and customer service for both telephone service and cable TV services. I also oversaw marketing communications and product management. As Executive Director of Marketing, I served as founding officer for NYNEX CableComms PLC's start-up facilities based competitive local exchange provider in England and participated in setting the company's strategic direction and policy. I also directed product development, product management, marketing communications, distribution channels and product pricing.

I was Chief Executive at Britannia CableSystems Ltd. from 1989-1991 where I created a local loop communications company with a group of partners. In that capacity I performed the duties of Chief Operating Officer. I was also Managing Director with United Cable Television International Ltd. from 1987-1989 where I directed the day to day business of the cable television company servicing Croydon, England under United's ownership. Further, I directed sales & marketing, installation & repair, warehousing, and customer service and lobbied the British Government to allow cable TV operators to offer telephone services. From 1985-1987, I was General Manager of Croydon Cable Ltd. In that capacity, I pioneered the introduction and translation of USA cable TV methods and practices into a start-up company in the newly formed British cable TV industry. Established and trained a new employee base. I also served on the Board of Directors. My curriculum vita is attached as Exhibit 2.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to support TallGrass' application for certificates of service authority to provide local exchange and interexchange telecommunications services. In my testimony, I demonstrate that TallGrass possesses the technical, financial and managerial resources and abilities pursuant required by Sections 13-403, 13-404 and 13-405 of the Illinois Public Utilities Act ("PUA").

I. Background Information About TallGrass

Q. Please briefly describe TallGrass.

A. TallGrass is a Delaware corporation that was authorized to do business in the State of Illinois on February 3, 2000. TallGrass is funded exclusively through equity. TallGrass is owned by private investors and venture capital companies.

As part of its business plan, TallGrass plans to offer Digital Subscriber Line ("DSL") services as a competitive local exchange carrier ("CLEC") and interexchange carrier ("IXC"). Further, TallGrass may expand its service offerings to include traditional voice service when the technology becomes perfected if market conditions warrant. In the event TallGrass does expand its service offerings, TallGrass will offer traditional voice service through resale or otherwise through its own facilities and the facilities of other carriers. In furtherance of this goal, TallGrass is seeking the requisite Commission certificates of service authority.

Q. Please provide a copy of TallGrass' articles of organization.

A. TallGrass' articles of organization have been attached as Exhibit 1 to my prefiled testimony.

Q. Is TallGrass currently offering service in any jurisdiction?

A. No. At this time, TallGrass is not certificated as a telecommunications carrier in any jurisdiction. However, TallGrass is planning to request certificates of service authority to provide local and interexchange telecommunications services in several additional states in the near future.

Q. Has TallGrass ever provided service using another name?

A. No.

Q. Has TallGrass or any principal in TallGrass been denied a Certificate of Service Authority or had its certification revoked or suspended in any jurisdiction in this or another name?

A. No.

Q. Have any complaints or judgements been levied against TallGrass within or outside Illinois?

A. No.

Q. Please describe the authority that TallGrass is seeking from the ICC.

A. TallGrass is seeking certificates of service authority to provide interexchange telecommunications services pursuant to Section 13-403, resold local exchange and interexchange telecommunications services pursuant to Section 13-404, and local exchange telecommunications services pursuant to Section 13-405 of the PUA.

Q. Please identify the areas in Illinois where TallGrass seeks authority to offer service?

A. TallGrass seeks a certificate of service authority to provide local exchange and interexchange telecommunications services throughout the state of Illinois as permitted by the Commission and other applicable law. While TallGrass plans to focus its service offerings in the tier two and tier three markets of Illinois Bell Telephone Company ("Ameritech Illinois") and GTE North Incorporated and GTE South Incorporated of Illinois ("GTE Illinois") initially, it may enter other markets in Illinois as market conditions warrant.

Q. What types of telecommunications services does TallGrass plan to provide?

A. Initially, TallGrass plans to provide DSL services to internet service providers, telecommunications carriers as well as business and residential customers. The DSL service will allow the customer to transmit data at higher speeds than currently available with 56 Kbps modems. DSL service will also allow for wider deployment of remote offices, telecommuting, telemedicine, distance learning and other advanced telecommunications services. TallGrass intends to provide these services through a combination of its own facilities and facilities leased from other carriers. Initially,

TallGrass will purchase unbundled network elements that will be connected to TallGrass' DSL equipment colocated in strategic central offices. TallGrass will lease transport facilities from other telecommunications carriers as necessary.

TallGrass may expand its service offerings to include traditional voice service when the technology becomes perfected if market conditions warrant. In the event TallGrass does expand its service offerings, TallGrass will offer traditional voice service through resale or otherwise through its own facilities and the facilities of other carriers. TallGrass will comply with all applicable requirements including those concerning 911 emergency services, Telecommunications Relay Services and similar requirements.

Q. Does TallGrass intend to offer operator services in Illinois?

A. No, TallGrass does not intend to offer operator services in Illinois at this time. As a result, the Commission's operator service rules as set forth in 83 Illinois Administrative Code Part 770 do not apply to TallGrass. However, in the event TallGrass offers operator services at a later date, the Company will comply with the requirements set forth in 83 Illinois Administrative Code Part 770.

II. Technical and Managerial Expertise

Q. Please provide evidence to support a finding that TallGrass has the technical and managerial resources needed to offer service in Illinois.

A. TallGrass' officers and employees have extensive entrepreneurial, management and technical expertise in the provision of telecommunications and data services. I have attached the biographies of TallGrass senior executives as Exhibit 2 for the Commission's

convenience. Additionally, I note that TallGrass is currently in negotiations with several high level candidates to fill additional MIS, operational, sales and managerial positions.

Q. Does any officer of TallGrass have an ownership or other interest in any other entity that has provided or is currently providing telecommunications services?

A. Yes. I currently own a de minimus number of Cox Communications shares. Further, Mr. Jack McHale, TallGrass' Vice President of Sales and Marketing, currently owns a de minimus number of Bell Atlantic shares. Finally, Mr. Stephen M. Lee, TallGrass' Vice President Business Development, currently owns stock in 21st Century Telecom of Illinois, Inc., which he acquired while an employee of that company. Mr. Lee's ownership interest in 21st Century, however, is de minimus.

Q. Does TallGrass own any network switches or transmission facilities used in routing calls?

A. Yes. TallGrass owns its own DSL equipment and will utilize this equipment in conjunction with unbundled network elements acquired from incumbent local exchange carriers ("ILECs") and facilities of other CLECs. Initially, TallGrass will colocate its DSL equipment in strategic central offices and purchase unbundled network elements that will be connected to TallGrass' colocated DSL equipment. TallGrass will lease transport facilities from other telecommunications carriers as necessary. If necessary to satisfy customer demand, TallGrass will also engage in the resale of telecommunications services of other local exchange carriers.

Q. Will technical personnel be available at all times to assist customers with service problems?

A. Yes.

III. Accounting Information and Financial Resources

Q. Please provide evidence that TallGrass has the financial resources needed to offer service in Illinois.

A. TallGrass has the financial resources necessary to provide service in the state of Illinois. TallGrass is funded exclusively through equity at this time. TallGrass currently has a capitalization of \$1.8 million, which will adequately fund the Company's operations for the first six months. In support of TallGrass' application, attached hereto as Exhibit 3 is a copy of TallGrass' financial statements. TallGrass respectfully requests that Exhibit 3 be treated as a proprietary and confidential document and that it not be disclosed to parties who have not entered into a non-disclosure agreement with TallGrass.

Q. Will TallGrass keep its books and records in Illinois?

A. Yes.

Q. Please describe the accounting system that will be used by TallGrass.

A. TallGrass is in the process of evaluating accounting software for telecommunications firms accounting systems. When selecting the accounting software, one of the central criteria will be to ensure that the accounting system selected provides sufficiently detailed data for the preparation of tax returns including Illinois gross receipts tax returns.

Q. Will TallGrass maintain its records in sufficient detail to facilitate the calculation of all applicable taxes?

A. Yes.

Q. Is TallGrass seeking a waiver from the requirements of 83 Illinois Administrative Code Part 710 which requires companies to follow the Uniform System of Accounts ("USOA")?

A. Yes. TallGrass requests a waiver of 83 Ill. Adm. Code Part 710 which requires companies to follow the Uniform Systems of Account ("USOA"). TallGrass intends to maintain its books and records in accordance with Generally Accepted Accounting principles ("GAAP") for all purposes. Because GAAP accurately reflects the operations of TallGrass, it is an alternative methodology that will be consistent with the principles of the USOA. The Commission will still be able to fully monitor the operations of TallGrass and TallGrass will be able to comply with all applicable Commission requirements. Further, TallGrass' size and lack of market power warrant a waiver of the USOA accounting requirements. TallGrass notes that the Commission has previously granted similar waivers to other competitive local exchange carriers. (See, for example, ICC Order in Docket 93-0409, July 20, 1994).

Q. In the event the Commission grants TallGrass' request for a waiver of 83 Illinois Administrative Code Part 710, will TallGrass provide annual audited statements for all periods subsequent to granting of the waiver?

A. Yes.

Q. In the event the Commission grants TallGrass' request for a waiver of 83 Illinois Administrative Code Part 710, does TallGrass agree that the requested waiver will not excuse it from compliance with future Commission rules or amendments to that Code Part otherwise applicable to TallGrass?

A. Yes.

IV. Emergency Services Issues

Q. Will TallGrass comply with the requirements set forth in the Emergency Telephone Systems Act and 83 Illinois Administrative Code Parts 720 and 725?

A. TallGrass' initially proposed services would exclusively involve DSL services. The Company does not propose to offer traditional voice service at this time. However, to the extent TallGrass subsequently decides to provide traditional voice service to the public, TallGrass will comply with all applicable requirements concerning 9-1-1 emergency services, including 83 Illinois Administrative Code Parts 720 and 725.

Q. Will TallGrass coordinate with the ILECs and local 9-1-1 systems to minimize obstacles and provide transparent service to the end-users? Will there be any additional call setup time? Will there be any cost associated with the transition charged to the 9-1-1 systems?

A. To the extent TallGrass decides to provide traditional voice service to the public in the future, TallGrass will coordinate with the ILECs and local 9-1-1 systems to minimize obstacles and provide transparent service to the end-users. Further, TallGrass

will enter into an agreement with the ILEC to ensure that any transition costs charged to the 9-1-1 systems, if any, are minimized.

Q. Does TallGrass intend to bill each 9-1-1 system for features associated with 9-1-1, i.e., building and management of database; selective routing; networking and dedicated trunks? If so, how will these costs be determined?

A. Since TallGrass does not intend to provide traditional voice service to the public at this time, it has not determined how 9-1-1 services would be provided. In the event TallGrass does commence voice services, the company will enter into an agreement with the ILEC to ensure that the billing of features is handled in an efficient manner.

Q. Will TallGrass file tariffs for all services and charges associated with 9-1-1, if any?

A. Yes.

Q. Who will be responsible for building and maintaining the 9-1-1 database for your customers? How often will updates be performed on the 9-1-1 database?

A. As stated above, TallGrass' initially proposed services will exclusively involve DSL services. However, to the extent TallGrass subsequently decides to provide traditional voice services to the public in the future, TallGrass will enter into an agreement with the ILEC to address the responsibility of building and maintaining the 9-1-1 database and performing updates to that database.

Q. Does TallGrass have procedures for the transitioning of 9-1-1 surcharge collection and disbursement to the local 9-1-1 system?

A. As stated above, TallGrass' initially proposed services will exclusively involve DSL services. However, to the extent TallGrass subsequently decides to provide traditional voice services to the public in the future, TallGrass will develop procedures for the transitioning of 9-1-1 surcharge collection and disbursement of the local 9-1-1 system.

Q. Will TallGrass' proposal require any network changes to any of the 9-1-1 systems?

A. No.

Q. Will TallGrass customers receive the same quality of 9-1-1 service that is currently offered by the ILECs?

A. To the extent TallGrass decides, at some point in the future, to provide traditional voice services, TallGrass will enter into an agreement with the ILEC to ensure that its customers receive the same quality of 9-1-1 service that is currently offered by the ILECs.

Q. Will TallGrass be able to meet the Call Box requirement under Section 725.500(o)?

A. Since TallGrass' service offerings will initially be limited to DSL service, the Company does not anticipate that it will implement call boxes as required by Section

725.500(o). However, if TallGrass does commence voice services and build 9-1-1 systems in the future, TallGrass will coordinate with the 9-1-1 systems for emergency call routing in the event the central office is isolated from the control office or selective router.

Q. Please provide the name, address and telephone number of the person who will serve as TallGrass' 9-1-1 contact.

A. I will serve as TallGrass' 9-1-1 contact.

Q. Please provide the name, address and telephone number of the person who will serve as TallGrass' security and law enforcement contact.

A. I will serve as TallGrass' security and law enforcement contact.

V. Consumer Service Issues

Q. Will TallGrass comply with the requirements set forth in 83 Illinois Administrative Code Part 772.55 (a)(1) regarding billing and Part 772.100(d) regarding notices for pay-per-call services?

A. To the extent TallGrass decides to provide traditional voice service to the public at some point in the future, TallGrass will comply with the requirements set forth in 83 Illinois Administrative Code Parts 772.55(a)(1) and 772.100(d).

Q. Will TallGrass comply with 83 Illinois Administrative Code Part 705 regarding the preservation of records of telephone utilities?

A. Yes.

Q. Will TallGrass comply with the requirements set forth in 83 Illinois Administrative Code Part 735?

A. Yes. However, TallGrass is seeking a waiver from the requirements set forth in Section 735.180 regarding the publication of a directory for its customers. To the extent TallGrass provides traditional voice services to the public at some point in the future, TallGrass will make arrangements with the ILECs in its service territories to list customers in the directory published by those ILECs.

Q. How will TallGrass bill for its services?

A. TallGrass will bill customers directly on a monthly basis. The monthly bill will itemize the calls, services and enhanced features purchased by customers as well as their associated charges. TallGrass will also itemize any surcharges and taxes owed by the customer. The customer is responsible for the payment of all charges for facilities and services provided by TallGrass to the customer and to all users authorized by the customer. Specific billing procedures will be governed by tariff and/or contract and such procedures will fully comply with Commission rules and regulations.

Q. How does TallGrass propose to handle service, billing and repair complaints?

A. TallGrass' customers may complain about service, billing, and repair using any of the following methods: (1) customers may write TallGrass at the address which will be

on the bill, (2) customers may call TallGrass using a toll free number which will be on the bill, or (3) customers may convey their complaints to TallGrass via the internet.

TallGrass will also advise its customers that they have the option to express concerns about TallGrass to the Illinois Commerce Commission. The address, telephone number and facsimile number of the Commission will be provided to the customers.

Q. Will personnel be available at TallGrass' business office during regular working hours to respond to inquiries about service or billing?

A. Yes.

Q. Please provide the telephone number a customer would use to contact TallGrass.

A. Once operations commence, TallGrass will secure toll free number(s) to allow a customer to contact TallGrass. Currently, TallGrass can be contacted by calling (312) 236-0575.

Q. Please provide the name, address and telephone number of the person who will serve as TallGrass' contact for technical and service quality issues.

A. I will serve as TallGrass' contact for technical and service quality issues.

Q. Please provide the name, address and telephone number of the person who will serve as TallGrass' contact to the Commission's Consumer Services Division for complaint resolution.

A. I will serve as TallGrass' contact to the Commission's Consumer Services Division for complaint resolution.

Q. Please provide the name, address and telephone number of the person who will serve as TallGrass' contact for consumer issues.

A. I will serve as TallGrass' contact for consumer issues.

Q. Please provide the name, address and telephone number of the person who will serve as TallGrass' contact for tariff and pricing issues.

A. I will serve as TallGrass' contact for tariff and pricing issues.

Q. Will TallGrass follow the regulations as prescribed in 83 Illinois Administrative Code Parts 755 regarding telecommunications access for persons with disabilities, 756 regarding telecommunications relay service and 757 regarding telephone assistance programs?

A. Yes.

Q. Will TallGrass collect and remit to the Illinois Telecommunications Access Corporation ("ITAC") the line charge amount collected monthly from all telephone subscribers for the TTY Equipment Loan Program and Telecommunications Relay Service?

A. Yes.

Q. Will TallGrass solicit, collect and remit to the Universal Telephone Assistance Corporation ("UTAC") the voluntary contributions collected monthly from its telephone subscribers to support the Universal Telephone Service Assistance Program ("UTSAP")?

A. Yes.

Q. Will TallGrass sign and return to the UTAC and the ITAC all of the necessary membership forms in a timely manner?

A. Yes. The signed forms have been attached as Exhibits 4 and 5 to my prefiled testimony.

Q. Will TallGrass meet the requirements of Sections 13-301, 13-301.1 and 13-703 of the Illinois Public Utilities Act?

A. Yes.

Q. How does TallGrass plan to solicit customers?

A. TallGrass' team of experienced sales professionals will directly market TallGrass' services to internet service providers, telecommunications carriers, business and residential customers.

Q. Please provide a copy of TallGrass' written guidelines to prevent unauthorized "slamming" of local exchange customers.

A. Since TallGrass currently does not plan to offer traditional voice services at this time, it has not developed written guidelines to prevent unauthorized "slamming" of local exchange customers. If TallGrass decides to offer traditional voice services in the future that require a change in a customer's local or interexchange carriers, the Company will develop unauthorized slamming guidelines and will comply with applicable federal and state requirements addressing the prevention of unauthorized slamming.

Q. How will customers benefit from TallGrass' proposed offering of telecommunications services in Illinois?

A. Certification of TallGrass is in the public interest because it will result in substantial investment in telecommunications infrastructure in Illinois. It will also expand the availability of technologically advanced telecommunications facilities and services to Illinois consumers. Specifically, TallGrass will concentrate on providing DSL services to internet service providers, telecommunications carriers, business and residential customers in areas that are currently underserved. DSL services allow for faster Internet access as well as increased deployment of remote offices, telecommuting, telemedicine, distance learning and other advanced telecommunications services. Further, TallGrass' network will utilize state-of-the-art technology to make available high-quality and reliable digital transmission services to Illinois consumers. Grant of this Application will also promote the public interest because it will allow efficient use of existing telecommunications resources and increased diversification and reliability in the supply of telecommunications services. Moreover, TallGrass' presence in the market will afford consumers an additional choice of telecommunications service providers.

Finally, TallGrass' presence in the Illinois market will increase competition in the provision of advanced telecommunications services thereby driving prices closer to cost, ensuring just and reasonable rates, as well as promoting efficiency in the delivery of services and the development of new services by both ILECs and CLECs.

Q. Does this conclude your testimony?

A. Yes, it does.